

Rep. Nadler Demands that Treasury Push Banks to Lend

Monday, 03 November 2008

NEW

YORK CITY ‐ Today, Rep. Jerrold Nadler (NY-08) sent a letter to Treasury Secretary Henry Paulson, urging the Secretary to mandate stronger, more specific guidelines to banks which have received capital infusions from the federal government through the recent rescue legislation (the Emergency Economic Stabilization Act of 2008). While \$250 billion in federal money has already been doled out to dozens of American banks expressly so those banks could make loans to individuals and businesses frozen out during the current credit crisis, the banks are, thus far, not lending the money.

"It is outrageous that banks have not yet gotten around to the business of lending with their new public funds when lending was the central purpose of the rescue legislation," said Rep. Nadler. "If the banks do not quickly begin lending to credit-starved American businesses and families, there is little chance that our terrible economic situation will improve. Without loans, businesses cannot make payroll ‐ let alone make further investments ‐ and individuals cannot make the sort of purchases which restore the flow of money throughout a healthy economy. I hope that, contrary to the news reports I have read, banks are not actually contemplating mergers and acquisitions with the funds. Mergers and acquisitions will not get the economy on the right track and are not the best use of taxpayer funds at this time."

Below is the text of the letter sent to Secretary Paulson:

October 29, 2008

Henry Paulson

Secretary of the United States Treasury

1500 Pennsylvania Avenue, NW

Washington, D.C. 20220

Dear Secretary Paulson:

I am concerned about the implementation of the Emergency Economic Stabilization Act of 2008;

specifically, your refusal thus far to require banks to actually lend the money that has been given to them by the federal government.

Although I am gratified that the Treasury Department is using the authority in the Act to funnel capital into the banking system, in return for partial ownership, it is mystifying that the Department is apparently doing nothing to ensure that the banks begin to ease the credit crisis by actually lending out the money.

Unfortunately, despite the Treasury's pleas, it appears that, in fact, the banks are hoarding the cash and not releasing the funds into the economy through new loans. There are even reports that they may use the money for bank mergers and acquisitions rather than for loans.

The British government has mandated lending by banks it is capitalizing. The United States should do the same. In order to get this economy moving again, it is essential that you mandate lending requirements in return for the capital the government is providing to the banks. Banks must now begin to make loans to cover the payrolls of businesses large and small, to allow stores to purchase inventory for the upcoming season, and to help Americans buy the cars and homes that fuel our economy.

Without the banking system lending money to Americans to make this economy grow, we will most certainly fall into a deep depression. We can no longer wait and hope for the banks to do the right thing; we must mandate that they lend the money now.

Please let me know what steps the Treasury is now taking to ensure that the banks actually lend the money they are being given by the government. If you have any questions, please feel free to contact me at (202) 225-5635. I look forward to your response.

Sincerely,

JERROLD NADLER

Member of Congress